RB
RESTAURANT BUSINESS

NOVEMBER 1, 1991
A BILL PUBLICATION

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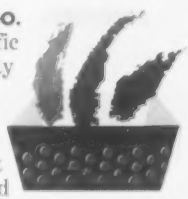

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COVER STORY **THE TOP 100 RESTAURANT COMPANIES.** *RB* presents its fourth annual study on the leading U.S. restaurants. This report not only provides a revealing picture of the foodservice industry, but also offers exclusive statistical data prepared in conjunction with Technomic Inc. The top restaurant companies are ranked by systemwide sales and units.

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WEST COAST EDITOR Kevin Farrell
(714) 964-6470
MIDWEST EDITOR James Scarpa
(312) 782-1266

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CONTRIBUTING EDITORS
Mark Bittman Dan Nichols
Carol Casper Jacque Kochak

PRESIDENT/GROUP PUBLISHER
Jeffrey P. Berlind

Editorial Office
633 Third Ave., New York, NY 10017
(212) 986-4800

West Coast Office
10540 Talbert Ave., East Tower, Suite 150
Fountain Valley, CA 92708
(714) 964-6470

Midwest Office
180 N. Michigan Ave.,
Chicago, IL 60601
(312) 782-1266

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Koo Koo Roo Struts Stuff

When New Jersey mortgage banker Ken Berg was out on the West Coast last year, he noticed a long line of people queued up outside a fast-food chicken restaurant on Beverly Blvd. called Koo Koo Roo. On an impulse, he parked his car and got in line.

"I watched Beverly Hills people eating chicken with their hands. You don't see that often," said Berg. When he finally got around to eating his order, he liked the flame-broiled, skinless chicken he tasted. "I asked, 'who owns the place?'" and in a little while Berg told the founding owner Mike Badalian, "I want to buy it."

Badalian, a Los Angeles-area restaurateur, didn't want to sell, but Berg's enthusiasm and financial resources led him to consider a 50% partnership agreement, which was finalized in August 1990.

Mike Badalian (l.) and Ken Berg are partners in Los Angeles-based Koo Koo Roo's nationwide expansion drive.

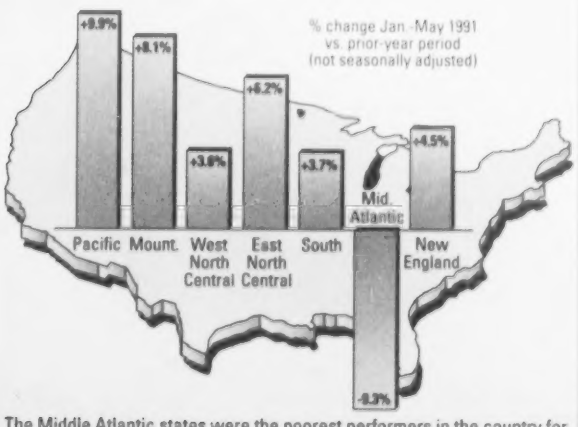
TOP HOPS. Sonic's National Carhop of the Year competition netted six finalists. With founder Troy Smith are (l. to r.): Alex Martinez, Teresa Shaw, Meaghen Mountain (top winner), Joy Pate, Jane Bartram, and Natalie Warshaw.

Berg invested $2.5 million as working capital to develop the concept. Since then, Koo Koo Roo has expanded to eight units in California, two in New York City, three in South Florida, and one each in Las Vegas and Atlantic City. They average 1,800 to 2,000 sq. ft. and sales of nearly $500,000 per unit, with the exception of Beverly Hills, which takes in more than $700,000 and Atlantic City, which just opened a Taj Mahal unit at 4,500 sq. ft.

Besides the non-fried skinless chicken, sophisticated side dishes for adult palates include cracked wheat rice, eggplant salad, cucumber and onion salad, and pinto beans. Average check is $6.50.

"Our goal is to have at least 500 units over the next several years," says Berg.
–Marilyn Alva

Regional Sales: Eating & Drinking Places



The Middle Atlantic states were the poorest performers in the country for the first five months of the year; the Western regions were the strongest.

SOURCE: The Food Institute, U.S. Census Bureau

CHART BY SHAN TANG

Canadian Tax Derails Biz

Since Canada introduced a 7% Goods and Services Tax (GST) last January, operators—including American chains with units there—have been crying that sales have plummeted as a result.

The tax applies to nearly all goods and services, including restaurant meals, but excludes groceries. As a result, industry take-out sales have suffered most as Canadians seem to have traded over to bake-your-own pizzas and other convenience foods from grocery stores.

According to Robin Garrett, director of information and research for the Canadian Restaurant and Foodservices Association, year-to-date take-out and delivery sales (for restaurants dedicated exclusively to these means of delivery) from January through June dropped 17.9% in 1991 versus a year earlier. Industry sales fell 9.4% during the same period. Taking into account inflation at 6%, Canadian restaurants suffered a real decline of 15.4% last year, she says.

The recession accounts for a great deal of the drop, but not all of it. Restaurant sales dropped 19.1% from December to January, for example, 5.9% more than the 13.2% drop in the prior year.

Consul Restaurant Corp. of Bloomington, MN, the largest franchisee of Chi-Chi's Mexican restaurants, blames the GST in great part for its sales slide, which forced the company into Chapter 11 in September. "This was a double whammy," explains Robert A. Lamp, chief financial officer.

Consul closed its six lowest-performing Canadian units in September, and is operating the remaining 11 through a trustee, as required by Canadian law.**–Rona Feldman**

FOOD-TO-GO

MARKET SEGMENT REPORT

Heady growth has tapered off to steady increases.

By Carol Casper

If democracy means freedom of choice, then the restaurant industry's off-premise segment is fast becoming more democratic. Consumers today can choose from a dizzying array of food-to-go options.

The growth rate of off-premise traffic has tapered off since the huge increases of the mid-'80s. However, the variety of menus and services continues to increase. At the same time, restaurants are facing competition in the take-out arena from retail stores, supermarkets, and convenience stores.

Consumers depend upon foodservice, both on- and off-premise, to supply more and more of their diets, and so they are more and more concerned about the health and nutrition aspects of that food. Increased frequency of food-to-go prompts more price/value considerations, as well.

Food-to-go encompasses carry-out, delivery, and drive-thru. Delivery is the biggest growth area. Not only are more chains and restaurants offering this service, but so-called third-party services will deliver food to customers from a pooled variety of restaurants. Another food-to-go growth segment is corporate catering as employees opt to work through lunch and companies entertain in-house.

Steak-Out delivers the same full menu as a moderately priced steak-house restaurant.

Fast-food chains have always depended upon take-out for a major portion of business; drive-thru windows have accelerated that aspect. Full-service restaurants are also jumping on the take-out bandwagon, but they are finding that successful service needs more promotion than simply noting its availability on the menu.

TRAFFIC RATES. In general, increases in to-go traffic have slowed since 1987. The business is still climbing, just not as fast as before. Off-premise sales continue to drive industry growth, according to the *1991 Off-Premises Update* pub-

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lished by the National Restaurant Association (NRA). Off-premise traffic increased 3% or more in each of the past two years, while on-premise traffic was virtually flat.

Food-to-go accounted for 46% of all restaurant transactions in 1990, compared to 44% in 1987, according to figures from CREST, a service of NPD Group Inc., Park Ridge, IL.

Restaurants that do not offer take-out or delivery are working more actively to protect business inside their four walls, observes consultant Dick Good of R.T. Good & Associates, Dayton, OH. However, a stronger factor retarding growth of restaurant take-out is probably increased competition from other sources.

"Supermarkets have gotten more aggressive in competing with restaurants. They already have the traffic coming into the store, so they are expanding deli departments to tap a ready-made market," Good points out.

Supermarket foodservice grew from a $7 billion business in 1987 to over $12 billion today, and is projected to reach $15 billion by 1994, according to Howard Solganik, another Dayton, OH-based consultant.

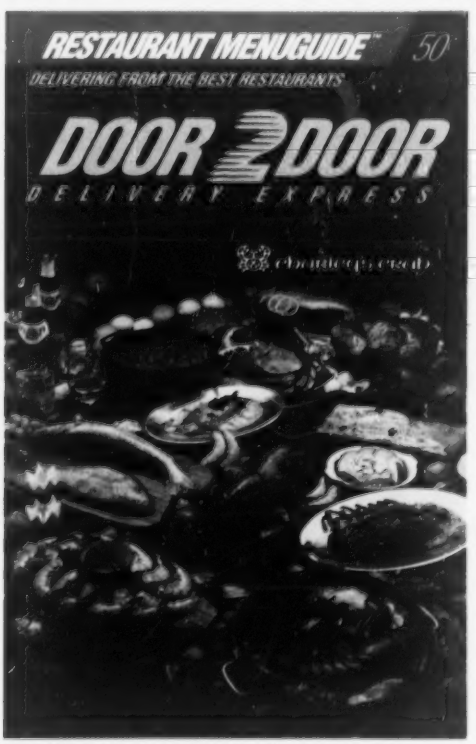
A second retail segment providing hot competition for fast-food restaurants is convenience stores. This industry's foodservice sales totaled $7 billion last year and could double to $15 billion by the middle of the decade, predicts Tom Campbell, president of C-Store Concepts, Plano, TX, a consultant specializing in c-store foodservice. (For a full report on retail foodservice trends, see *RB*'s Retail/Deli Market Segment Report in the February 10, 1991 issue.)

The growing reliance on outside sources to provide basic sustenance is shaping the off-premise market in ways other than simply spurring growth.

"Concern for health and nutrition plays a bigger role in the choice of take-out meals because they form part of people's everyday pattern of consumption," says Terry Woodard-Polster, a California-based consultant who has taught courses on take-out for the NRA. "It's different from the special occasion of going out to a fine restaurant, when people are more apt to set aside dietary concerns."

Another trend is price-consciousness. So although upscale take-out has drawn attention, future growth will probably stem more from fast-food and midscale operations, Good predicts.

Peter Hetherington, publisher of *Meal Delivery Digest*, a newsletter for delivery services, concurs. "Customers today are ordering most from medium-priced restaurants, whereas a few years ago price seemed no object."



Door2Door is a third-party delivery service.

Retail stores also compete for take-out dollars.

Delivery is the area of greatest activity. Sparked by the success of Domino's pizza and a conviction that Americans are hungry for delivered products other than pizza, existing fast-food chains and new delivery/carry-out ventures are offering choices like chicken, Chinese food, fajitas, and steaks. A growing number of independent restaurants are also adding delivery.

Responding to harried consumers' needs for ease and convenience, creative operators are carving out new niches. In the greater New York City area, services meet commuters at train stations in the evening with take-home meals cooked to order or picked up from restaurants.

In Boston, an independent chef stocks clients' refrigerators with a work week's worth of freshly prepared dinners. Judi Mortner, who operates Seasonal Suppers, originally prepared food for clients in their homes, but about two years ago decided to centralize production for her growing service. She charges $55 for a single, $110 for couples, and $165 for a family of three, for four night's worth of health-oriented, freshly prepared dinners.

DELIVERY. Despite the frenzy of activity, delivery still makes up only the smallest portion of off-premise traffic. It accounted for 8% of the take-out pie in 1990, compared to 61% carry-out and 31% drive-thru, according to CREST. After three years of fast growth, delivery traffic actually registered little increase last year. All the new delivery start-ups suggest, however, that this lull may be temporary.

Kentucky Fried Chicken recently launched delivery from about 100 locations, primarily company-owned stores

in its home market of Louisville, KY, plus Miami and a few other cities. A small number of franchisees have added the service as well, reports Richard Detwiler, KFC director of public affairs. About 70% of KFC's business is take-out. It hopes to grow new business by expanding delivery.

Another chicken chain experimenting with delivery is El Pollo Loco, Irvine, CA. It launched a corporate pilot program in Scottsdale, AZ, early this summer, following a Las Vegas franchisee's successful foray. In the Las Vegas experiment, delivery initially cannibalized some carry-out and drive-thru sales, but also garnered incremental volume.

"Because the corporate venture is only one store out of seven in the market, we can't do broadcast advertising, only local marketing. But we've already seen some positive results," says Diane Hays-Hoag of El Pollo Loco's marketing department. "We hope eventually to expand delivery to the balance of our seven Phoenix area units."

The franchisee, Nevada Chicken Enterprises (NCE), began delivering from seven of its 19 units. Since adding the program to the rest of the units recently, it has launched some broadcast advertising. NCE has also built awareness with its delivery vans, which serve as "moving billboards."

NCE's vehicles are equipped with propane-fired warming ovens that can carry up to six orders at a time. At its corporate test site, El Pollo Loco simply uses insulated carriers.

EAST-WEST. Two fledgling chains run by Domino's Pizza veterans intend to apply Western marketing and franchising techniques to the delivery of Chinese food. Thomas Burnham, president of HLC America Inc., Ann Arbor, MI, calls it "the last fast-food frontier."

Formerly executive vice president of Domino's Pizza International, Burnham and an investor group have obtained franchise rights for the U.S., Mexico, Israel, and the U.K. from Eric Johnson, the Toronto, Canada-based originator of the Ho-Lee-Chow concept. Johnson has already launched 24 locations in Canada with six more planned this year.

Drawing of Zipps double-drive-thru prototype, which sports a limited menu.

To the original concept, Burnham has added a computer system for the stores, which combines POS functions, marketing, accounting, and inventory control, and a centralized purchasing system. His team numbers over a dozen former Domino's executives and managers. HLC America opened its third company store in August. It expects to have 10 more U.S. locations by year's end, plus one each in the U.K. and Mexico City.

HLC's "Chinese-themed" menu of more than 75 items includes traditional Chinese dishes; however, it also contains nontraditional items formulated specifically for delivery. They include popular fast foods and novelties like Chinese-style chicken nuggets, "Forbidden City" marinated fried chicken, "Peking Pizza," beef and chicken kabobs, honey-garlic spareribs, and China Chips—an Oriental version of nachos.

Off-premise traffic grew 3% last year.

Another group of ex-Domino's executives has begun building its own Chinese delivery chain based in Newport Beach, CA. Confucius is headed by Robert Cotman, who was Domino's senior vice president.

Like HLC, Cotman's group is the U.S. arm of a concept that originated in Canada. Stelway Food Services of Canada opened the first Confucius in Vancouver six years ago and now operates seven other units north of the border. Early last spring, the U.S. company opened its first unit in Tustin, CA.

STAKING A CLAIM. Another budding delivery franchisor that has already carved out a toehold is Steak-Out Char-Broiled Delivery, based in Huntsville, AL. It operates 31 stores primarily in the Southeast.

Steak-Out's menu features ribeye steaks, New York strips, steak tips, and chopped steak, all served with salad, baked potato, roll, butter, and sour cream. It also offers a grilled chicken-breast alternative, cheeseburgers, steak and chicken sandwiches, chef salads, and desserts.

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FOOD-TO-GO

MARKET SEGMENT REPORT

After opening two stores, the company began franchising in 1988. It plans to continue building in the Southeast through 1992 with a target of 80 stores. Lunch accounts for 40% to 50% of dollar sales, and an even larger percentage of orders, according to founder and president David Martin.

An independent operator in Nashville, TN, has opened a similar concept. Charcoal Charlie's offers a slightly more upscale menu including filet mignon, London broil, and more non-beef entrees such as chicken teriyaki, King salmon, and smoked trout. Manager Marcel Lieskamp and several partners launched the operation last September.

Unlike Steak-Out, Charlie's also has a small eat-in area that is heavily utilized for lunch. Eat-in and take-out combine for about 30% of sales; the rest is delivery. Overall business splits about 50-50 between lunch and dinner. The delivery check at lunch runs $20 to $25, representing several people ordering together. Dinner tickets average $14 and are mainly single orders.

TEX-MEX TO GO. A Bryan, TX-based chain is launching a delivery shop featuring Tex-Mex foods. Montgomery Foods Inc. operates four Tejas Cafe & Bar restaurants. It recently decided to supplement these full-service operations with a Tejas Cafe delivery/carry-out concept. The family behind Montgomery also owns Pizza Hut of the Brazos Valley, and was among the first franchisees to spearhead home delivery for Pizza Hut, notes vice president John Lampo. "So we already know a lot about the delivery business."

The full-service Tejas Cafes already offer delivery, accounting for up to 25% of business at one location and 10% to 15% at the others. "But delivery out of the back of the house is a management nightmare," says Lampo.

The first unit is a 1000-sq.-ft. in-line site in a high-traffic area. It will offer a limited selection of items from the full-service restaurants, picked in part for their ability to travel. They include fajitas, chimichangas, enchiladas, tacos, chicken-fried steak, fried chicken, chicken tenders, burgers, and salads. Also featured are party packs of chips and picante sauce, chili, and guacamole.

THIRD-PARTY SERVICES. Another major development to be reckoned with these days is the growth of third-party services that handle delivery for a number of restaurants. In exchange for the deliveries, services usually ask for a share of the meal price ranging from 20% to 35%, and collect a delivery charge from customers.

In the past 18 months, the number of such services has doubled to perhaps 350, says Hetherington of *Meal Delivery Digest*. At the same time, at least 25 have gone under or been bought out.

Hetherington opened his own service five years ago in Newport Beach, CA, and sold it to several employees last year to concentrate on consulting.

Some companies are adding other delivery services such as flowers or videos, or promoting catering. The successful services are computerized and

Delivery accounts for only 8% of the take-out pie.

many are selling advertising to offset the costs of their menu books. The average service delivers for about 10 to 15 restaurants, but a few with more sophisticated systems can handle as many as 40 to 60, says Hetherington.

Two services, Takeout Taxi Inc., Herndon, VA, and Door2Door Delivery Express, Clawson, MI, have begun franchising and both hope to become national presences.

Kevin Abt, founder and president of Takeout Taxi, launched his service in 1987 and in three years built it to five northern Virginia locations representing over 100 restaurants. He initially licensed his software to other services for a one-time fee but recently switched his thrust to franchising.

Abt distinguished his service early on as concentrating on "midscale foods at moderate prices." Abt also put a

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El Pollo Loco's colorful delivery vans are "moving billboards" for the service.

heavy emphasis on using data gleaned from the computerized ordering system to drive direct-mail marketing.

He has recently expanded this approach to offer restaurants marketing programs for their on-premise business as well. "As a value-added service, we can build computer databases of restaurants' dine-in customers and tailor direct mailings to this segment of their business as well as delivery."

Door2Door's president Kirk Scott brings eight years of computer expertise plus restaurant management experience to the company he founded in 1988. Among the features distinguishing Door2Door's system, he notes, are its ability to handle high volumes and large delivery areas from one location.

His original operation delivers from over 75 restaurants in a 200-sq.-mi. area north and west of Detroit. It averages nearly 200 deliveries a day made up largely of multiple orders. Lunch transactions average $30, representing about six orders. Dinner deliveries average $28, typically feeding two to three persons.

The ability to handle this volume lies in the software Scott designed, which can coordinate orders from a large number of terminals and manage drivers at multiple remote dispatching centers. The software uses a map system to pinpoint each customer and restaurant location and calculate delivery charges, which run $2 within a local area plus 75¢ for each additional mile.

Another feature that distinguishes Door2Door is its menu guide, notes Tracy Naples Gassen, vice president of franchising. It contains editorial material, advertising, and complete menus for each restaurant. Door2Door will publish these menu guides for its franchisees. Door2Door has one franchise operating and two more slated to open by December.

Menu Express in Nashville, operated by Lee Pedigo, is fairly typical of the successful independent service. It delivers for nine restaurants in a roughly 4.5-mi. radius and tries to keep travel time down to no more than 15 minutes.

Menu Express averages $25 per order and with a typical $8 per-person ticket. "We do 35% to 40% of business at lunch and have started targeting that period more. It involves a lot of multiple orders, while evening business comes mainly from singles and couples," Pedigo uses a computer to take orders, then prints out hard copies that are faxed to restaurants. About 20% of callers want to combine deliveries. In this situation, Menu Express charges $3 for the first restaurant and $2 each for additional ones.

Data from delivery can augment marketing efforts.

DO IT YOURSELF. Jeff Senior and partners decided to offer their own delivery service from their Italian restaurant Caffe Lampara in Boston, although they had formerly used a third-party service for their two Skipjack's Seafood Emporiums. They had no quarrels with the service provided, Senior says. They just prefer to have total control. "Some delivery services mark up menu items or charge customers a fee, and we don't feel that's right," Senior says.

Senior hopes delivery will make up 15% to 20% of the new restaurant's sales. Caffe Lampara just started its service in late summer and initially did more off-premise sales through carryout. However, Senior expects that to change with students returning to nearby Boston University.

The Levy Restaurants, Chicago, introduced its own Chef's Express delivery service last spring, featuring menus from seven of its Chicago restaurants. This fall, however, it decided to limit the service to just two concepts, Randall's Rib House and Bistro 110, which have accounted for the largest share of deliveries.

Levy originally offered the service evenings only, but has extended it to lunch, and plans to pursue corporate business more aggressively, notes marketing coordinator Lynne Goldman.

Another approach to delivery is being touted by Larry Colligan, operator of Tucson's Hidden Valley Inn and a

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Creative Gourmets' Foods To Go focuses on corporate catering.

delivery service, Mr. C's Chicken & Ribs presented by the Inn. Colligan put together a fleet of 10 vans equipped with refrigerators and holding ovens to deliver complete meals with entrees like oven-roasted chicken, mesquite-roasted barbecued ribs, and mini meat loafs. He hopes to sign up well-known restaurants in a number of cities for the same kind of service.

CORPORATE CATERING. Like Levy, many delivery operations have found office service a more fertile market than they anticipated. This should not be surprising, as studies show Americans spend more hours on the job today than a decade ago. Opportunities include supplying food to individuals or groups working through lunch or staying late, as well as catering meetings.

Companies going after this market often tailor their service to suit businesses. Door2Door offers monthly billing to corporate clients. Steak-Out takes pains to make sure multi-order deliveries go smoothly by printing separate tickets as well as a master ticket for each order, and packing the extras that go with each entree in individual bags to ease distribution.

A lot of operators underestimate the complexities of serving corporate needs, says Amy Zintl, director of sales and marketing for Boston's Creative Gourmets Ltd. This foodservice management and catering company launched a separate service five years ago, called Foods to Go, to handle deliveries to offices.

62% of fast-food transactions were off-premise.

Creative Gourmets distinguishes this business from its catering operation, which involves customized menus and a higher level of on-premise service.

Rosticceria Toscana in Brentwood, CA, offers "Tuscan Take Home Cooking."

"Our primary application is providing food for scheduled meetings of 10 to 15 people, although we deliver smaller orders for some customers," Zintl notes. Orders should be placed by 2 p.m. for next-day delivery. The company also offers same-day Express Service with three hours notice for a 25% surcharge.

Creative Gourmets is a division of Gardner Merchant, Trumbull, CT (formerly Trusthouse Forte Food Services), which has a lot of experience catering to business needs in a variety of settings. Another of its successful ventures is Pi's Place restaurant in Miami's Centrust Tower, which operates a satellite venture, 2GO, in the same building to meet the take-out needs of its office population. The restaurant's kitchen doubles as commissary for the take-out store, allowing 2GO to serve several hundred people daily with a staff of three. 2GO also caters meetings in the office tower on one-day notice, while individuals can call in lunch orders for pick-up with a few minutes turnaround.

FAST FOOD. Despite all the activity in other segments, quick-service restaurants still account for the lion's share of off-premise sales. They contributed 91.9% of off-premise traffic in 1990, CREST reports. The combination of carry-out, drive-thru, and delivery made up 62% of all fast-food transactions. One interesting note is that carry-out grew faster than drive-thru in 1990 for the first time in four years. Whether this represents a change in customer preference, a slowdown in development, or a temporary blip in the numbers is hard to say.

Consultant Woodard-Polster notes that in Los Angeles and other metro areas, drive-thru permits have been restricted due to concerns over traffic and pollution. Few operators, however, appear to be backing away from the concept.

A Southern California chain, In-N-Out Burger, Baldwin Park, says its goal to appeal to a broader range of customers led the company to add dining rooms to its original drive-thru-only format. About half of the company's 69 units now offer seating for 50 to 70 in addition to drive-thru. Newer sites feature up to 100 seats.

The chain claims the distinction of having introduced the first hamburger drive-thru to California when its original unit debuted back in 1948, in the era of drive-ins and carhops. Since son Rich Snyder took over management of the privately-owned chain from founders Harry and Esther Snyder in 1976, growth has sped up considerably.

In other parts of the country, drive-

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thru operators also remain unfazed. Bob Gontram, president of Zipps Drive-Thru, a chain of double drive-thrus based in St. Louis, MO, believes the format still has "tremendous development potential." Zipps grew 25% last year to a total of 49 units, 23 of them franchised.

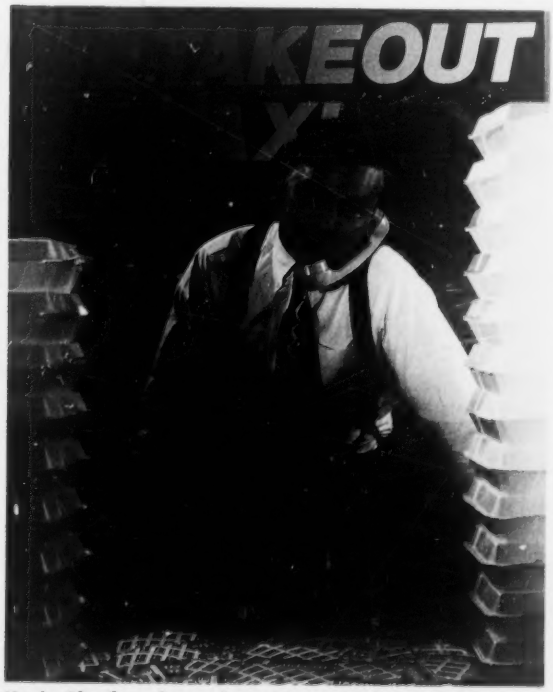
While In-N-Out presented an alternative to carhop service back in 1948, Sonic Industries Inc., Oklahoma City, OK, has stuck with the drive-in format it began with in 1951. However, it has recently been building units that combine drive-thru windows with drive-in stalls. There are no plans to abandon carhop service and the jury is still out on which version will become its primary expansion vehicle, chairman C. Stephen Lynn reports.

"My gut feeling is that in areas where we already have a concentration, new units will not have drive-up windows. But as we expand into markets where we have little or no penetration, combination units make sense." Take-out for Sonic means customers taking the food off-premises after ordering, versus staying and eating in the car. By this definition, close to 60% of business is off-premise, Lynn notes.

The 1,115-unit chain has boosted sales to $514 million in fiscal '91 from $455 million last year. Average store sales systemwide rose from $446,000 to $494,000. Operations are spread among 22 Sunbelt states, and 100 new units are projected for fiscal '92.

Traditional fast-food outlets account for the majority of drive-thru sales, but some operators in other segments are also trying the format.

The Spaghetti Shop, Champaign, IL, began adding drive-thrus about a year ago after having built 25 units without them. "Drive-thru is now a full part of the program," says Jim Teaters, president. "All new units will include them and several franchisees are retrofitting their stores." About 65% of volume comes from take-out overall. In drive-thru-equipped units the windows account for more than half that volume.



Kevin Abt, founder and president of Takeout Taxi, takes an order.

The Spaghetti Shop offers individual lunches and dinners, but its most popular items are family-size buckets of pasta with sauce, available for take-out only. They account for 44% of total sales or two-thirds of take-out volume. At last count the chain had four company stores and more than 30 franchised units concentrated in the Midwest.

Another unusual application of drive-thru service is for Chinese food. Even full-service Chinese restaurants are often known for their speed, but owner Joseph Fong picks up the pace at his two Chinese Chef restaurants in Springfield, MO, with a fast-food format incorporating drive-thru service.

Catering to offices has great growth potential.

Fong first included a drive-thru lane when he built his second restaurant eight years ago. This fall he replaced his original unit with a reconstruction that also features a drive-thru. At his second, smaller unit, which has 55 inside seats, the window accounts for 40% of business. Carry-out contributes another 20%, and 40% is eat-in.

The operators of Houston's three Cafe Express restaurants, which were designed to fill the gap between upscale eateries and fast-food outlets, have not yet built a drive-thru-equipped unit but consider it a strong possibility as they expand, says Lonnie Schiller, president of Express Foods Inc.

Schiller notes that the concept has changed since he and wife Candice opened the first Cafe Express in 1984 with partner Robert Del Grande, the creative force behind Houston's upscale Cafe Annie. Located in an office building, Cafe Express was initially developed to offer lunches to office workers. "We soon realized that with a little tweaking the food and service lent themselves to evening business as well," Schiller notes. "We became more of a destination restaurant that just happened to be self-service." This change shifted business from an initial mix of nearly 80% lunch and 20% take-out to about a 50-50 split between lunch and dinner, with about 12% take-out. Checks average $7.50.

Americans have generally become

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FOOD-TO-GO

MARKET SEGMENT REPORT

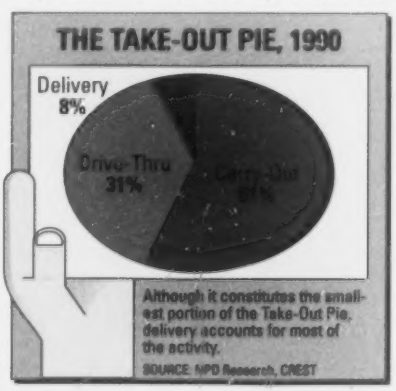
more sophisticated about food. Operators that have responded to this trend include a Boston-based franchise, New Boston Chicken Inc., and independent Rosti in Brentwood, CA.

Boston Chicken tags its food "Take Home Cooking" to stress the fact that everything on the menu is prepared from scratch in each store. This includes its signature marinated rotisserie chicken, fresh hot vegetables, cold salads, chicken soup, chicken pot pies, and baked goods.

"Our approach is 'good food fast'," says Charlie Cocotas, president, who was COO of Church's Fried Chicken before joining Boston Chicken two years ago. Since the target market is take-home, 33-unit Boston Chicken sells deli-style, including whole and half chickens, vegetables, and soups by the pint or quart, salads by the pound, and baked goods by the dozen, as well as offering individual servings. "We've added seating to new units because customers wanted it, but we plan to keep it minimal," he adds. About 70% of its volume is take-out.

Kathie and Michael Gordon initially envisioned Rosti, opened last spring, as "an Italian version of take-home chicken," notes Kathie Gordon, but the finished product ended up a bit wider in scope. She attributes this to the influence of partner and executive chef Agostino Sciandri.

Mr. C's Chicken & Ribs has a fleet of vans equipped with refrigerators and ovens.



The three still bill Rosti—short for Rosticceria Toscana—as "Tuscan Take Home Cooking," and its biggest seller is a half chicken, pounded and griddled with rosemary and garlic, served with roasted potatoes for $6.75.

About two-thirds of business is carry-out, while a 32-seat outdoor patio has generated more on-premise business than expected. Checks average $10 compared to a $20 lunch average and higher dinner tab at the more formal, strictly eat-in Trattoria Toscana.

FULL-SERVICE OPTION. As all sorts of full-service restaurants continue to add take-out as an option, one thing many operators are learning is that they need to do considerably more promotion than simply stating its availability on the menu.

Tejas, a Southwest-themed Minneapolis restaurant that has offered take-out since it opened four years ago, began a refillable coffee mug promotion last spring to help draw attention to the service. Although it has a separate counter with display cases, catering director Melanie Peacock says, "You could eat here and still not know we have a take-out section." To remedy this, Tejas does frequent mailings and prints take-out and fax menus that include a box lunch program.

The menu features soups, salads, entrees like grilled steak quesadillas and steak or chicken fajitas, as well as sandwiches like grilled chicken salad with cilantro pesto and maple-cured ham with Jack cheese. Currently 75% to 80% of take-out is at lunch, accounting for about 10% to 15% of total restaurant sales. The restaurant recently launched a new program to garner more evening take-out, offering dinner entrees packaged cold with instructions on how to heat them quickly at home. The restaurant also delivers orders over $10 in downtown Minneapolis, and will station runners outside its mall location, so customers in cars can pick them up.

Despite the plethora of choices, customers are still hungering for more food-to-go options. Operators who can deliver convenience, good nutrition, variety, and value will find success in the take-out arena. **RB**